

Chairperson: Steve Cady, 278-4347

Clerk: Carol Mueller 278-4228

SELECT COMMITTEE ON DEFERRED COMPENSATION

Monday, February 7, 2011 – 9:00 a.m.

Milwaukee County Courthouse - Room 203-P

MINUTES

PRESENT: Mark Grady, Susan Walker*, Rick Ceschin, Jackie Russell, and Steve Cady (Chair)

* Susan Walker was not present at roll call but appeared shortly thereafter.

SCHEDULED ITEMS:

The Committee may adjourn into closed session under the provisions of Wisconsin Statutes, Section 19.85(1)(f), for the purpose of discussing the following matter(s). The Committee may reconvene into open session to take whatever action(s) it may deem necessary on the said matter(s).

1. 10DC25 Appeal(s) from deferred compensation participant(s) of decisions regarding request(s) for hardship withdrawal(s) of funds from Milwaukee County's Deferred Compensation Plan.

There were no appeals.

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2. 11DC04 Financial Update on Administration of Milwaukee County's Deferred Compensation Plan. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

The Chair provided a brief update noting that the Plan's 2010 operating budget deficit was \$60,000 that reflects the fee holiday and an off-setting revenue settlement of \$83,000 from Strong. The quarter had a growth in participation. The 2010 actual results were used for the 2011 structure. The fee holiday was extended through the fourth quarter of 2011, at the November 2010 meeting.

The Committee took no action on this informational report.

3. 11DC05 From Reinhart Boerner Van Deuren, recommended amendments to the Plan Governance Document for the Pension Protection Act and Other Law.

APPEARANCE(S):

Ben Choice, Attorney, Reinhart Boerner Van Deuren

Mr. Choice provided an overview of the amendments to the Plan regarding Pension Protection Act and other law. This included the definition of

SCHEDULED ITEMS (CONTINUED):

compensation deferred from the last paycheck even if an employee is terminated. The IRS asked for clarity of the date through which the participant was employed. No post employment benefits are eligible to be deferred.

The second amendment relates to Military services. If the employee is paid while serving in the armed services, they are allowed to defer money into the Plan.

The third amendment deals with the rules of age 70 and one half. There is a new site to reference these rules.

The fourth amendment is addressing rollover provisions including a non-spouse beneficiary rollover and the right to defer and consequences of not deferring.

The fifth amendment is regarding Military service provisions under HEART. The benefits payable to participants who die while employed are the same benefits that apply if a participant dies in military service.

The final amendment defines what is considered compensation.

Questions and comments ensued.

Further discussion pertained to Roth contribution options and the education component. The Committee requested an amendment regarding Roth options for the next meeting.

Additionally, there is a Roth conversion option that allows converting some or all of the assets into a Roth account. There are current issues with Wisconsin law not recognizing this option approved by the Federal government.

ACTION BY: (Grady) Approve the amendments into the Plan governance document. Additionally, add the wording "upon request" after shall receive notice to section 4.7. 4-0

AYES: Grady, Ceschin, Russell, and Cady (Chair) – 4

NOES: 0

EXCUSED: Walker - 1

4. 11DC06 From Baker Tilley, 2010 Plan Review. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCE(S):

Wayne Morgan, Baker Tilley

Anne Blakely, Baker Tilley

This is a final report for the 2010 Plan Review. This review focused on IRS code

SCHEDULED ITEMS (CONTINUED):

and the fiduciary obligation of the plan specifically, compliance review and payroll processes were examined.

Mr. Morgan discussed compliance results that have been upgraded from “code red” to “yellow”. One item pertained to quarterly reports mailed later than 15 days past the end of the quarter. Another item pertains to timeliness on retirement or termination withdrawals that were not processed within 5 business days. Both of these items are good goals in compliance component. There were no issues on any critical component of the policy.

Ms. Blakely focused on payroll process reviews. There were multiple findings regarding the flow of data from Ceridian to the Great West. These included termination date errors, modification to eligibility and eligibility dates not reliable. Items that need watching included consolidation of departmental codes, deduction hierarchies built into Ceridian, data feeds from Ceridian to Great West and catch up contributions.

A lengthy discussion ensued on clarity of eligible employees to the Plan, regarding part time, seasonal, part time seasonal and pool nurses. Additional discussion pertained to the use of on-line reports.

Any suggestions of additional future goals and reviews should be forwarded to Mr. Morgan or Chairman Cady.

The Committee took no action on this informational item.

5. 11DC07 From Great-West Retirement Services, Fourth Quarter Report.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

APPEARANCE(S):

Sue Oelke, Great-West Retirement Services

Ms. Oelke gave an overview of the fourth quarter programs and services. Discussion covered new employee enrollment seminars, open enrollment, onsite visits, the Did You Know campaign, enrollment and contributions, account activity, distributions, rollovers into Plan, website activity, service center calls and emergency withdrawals.

Questions and comments ensued.

Great-West is seeing a greater percentage of individual service requests.

The Committee took no action on this informational item.

SCHEDULED ITEMS (CONTINUED):

6. 11DC08 From Great-West Retirement Services, 2010 Annual Plan Review.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

APPEARANCE(S):

Sue Oelke, Great-West Retirement Services

Ms. Oelke gave a recap on how 2010 compared in the areas of participation, asset allocation and diversification, asset retention and reality investing.

Further discussion ensued on the right diversification for each individual, educational need of participants and stable fund participation.

The Committee took no action on this informational item.

7. 11DC09 From Great-West Retirement Services, 2011 Plan Enhancement Program.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

APPEARANCE(S):

Sue Oelke, Great-West Retirement Services

Ms. Oelke reviewed Great-West's 2011 concepts to focus on. They included the creation of plan enhancements programs, target initiatives, strategy and the annual plan report card.

Overall Milwaukee County deferred compensation plan is very successful especially without an employer match compared to other 457 Plans.

The Committee took no action on this informational item.

8. 11DC10 From Advised Assets Group, Fourth Quarter Stable Value Fund Report.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

The Chair informed the Committee that the Stable Value fund credited rates dropped slightly from 4.25% in the fourth quarter of 2010 to 4% for the first quarter of 2011.

The Committee took no action on this informational item.

9. 11DC11 From Hewitt Ennis Knupp, Fourth Quarter Market Recap presentation.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE

SCHEDULED ITEMS (CONTINUED):

COMMITTEE)

APPEARANCE(S):

Laurel Nicholson, Hewitt Ennis Knupp and Associates

Dan Polish, Hewitt Ennis Knupp and Associates

Ms. Nicholson spoke on the performance of the market. Capital markets were positive for the year. U.S. bonds were negative in the fourth quarter whereas, emerging market stocks outperformed developed non-U.S. equities. Overall it is a very slow recovery.

Stock market returns rallied 86% with small cap stocks the strongest performer. Growth stocks outperformed value stocks during the fourth quarter. All economic sectors finished the year in positive territory. The long term plan is to remain diversified.

The Committee took no action on this informational item.

10. 11DC12 From Hewitt Ennis Knupp, Fourth Quarter 2010 Performance Report.

APPEARANCE(S):

Laurel Nicholson, Hewitt Ennis Knupp and Associates

Dan Polish, Hewitt Ennis Knupp and Associates

This report has a different look and feel. The company is going toward a web based system. Plan assets stood at \$253 million which is an increase of \$14 million from the third quarter.

The target date retirement (TDR) funds are approximately 5% of the Plan. The three T. Rowe Price funds were rolled into these. These are an alternative to managed accounts. They are similar because they have professional best allocation of assets between different options within Vanguard. Hewitt Ennis Knupp supports the Committee's wish to promote these accounts within the Plan. It is important that participants know how to use them and the pros and cons of these accounts. The returns averaged between 9 and 15%. The 2055 fund has been added. Every seven years the oldest TDR fund rolls into an income fund.

A quarter of the plan is in index funds which is fairly high. The total stock market fund has low participation. Milwaukee County continues to have 50% of the plan invested in the Stable Value Fund (SVF). This account has weathered the drop in the economy well.

Discussion ensued on the SVF, the North Shore Savings Fund and money market accounts.

SCHEDULED ITEMS (CONTINUED):

The Committee took no action on this informational item.

11. 11DC13 From Hewitt Ennis Knupp, Deferred Annuities memo. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCE(S):

Laurel Nicholson, Hewitt Ennis Knupp and Associates
Dan Polish, Hewitt Ennis Knupp and Associates

Mr. Polish spoke on the Deferred Annuities. They have expensive fees and an insurance that guarantees a future income. There is risk associated with these funds, because they are tied together with a single insurance company for 40-60 years. This is not being recommended now, but the Committee may want to look at annuities in the future.

The Committee took no action on this informational item.

12. 11DC14 From Hewitt Ennis Knupp, update on Growth Fund of America. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCE(S):

Laurel Nicholson, Hewitt Ennis Knupp and Associates
Dan Polish, Hewitt Ennis Knupp and Associates

This fund has underperformed for the last four years. The risk on return still looks good but still needs watching. At this time Hewitt Ennis Knupp is not recommending termination of the fund.

The Committee took no action on this informational item.

13. 11DC15 From Hewitt Ennis Knupp, update on PIMCO. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCE(S):

Laurel Nicholson, Hewitt Ennis Knupp and Associates
Dan Polish, Hewitt Ennis Knupp and Associates

PIMCO is down due to the bond market also being down. There will be a change by the end of March to allow preferred stock investment. There are some cash holding issues. At this time Hewitt Ennis Knupp is not recommending termination of the fund.

SCHEDULED ITEMS (CONTINUED):

The Committee took no action on this informational item.

14. 11DC16 From Hewitt Ennis Knupp, Legislative/Regulatory Newsletter. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

The Committee took no action on this informational item.

15. 11DC17 From Hewitt Ennis Knupp, update on Plan Fee Review. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

The Committee took no action on this informational item.

16. 11DC18 From Hewitt Ennis Knupp, March 1st Educational Conference.

APPEARANCE(S):

Laurel Nicholson, Hewitt Ennis Knupp and Associates
Dan Polish, Hewitt Ennis Knupp and Associates

ACTION BY: (Ceschin) Approve Committee members' attendance at any Hewitt Ennis Knupp conferences in 2011, with expenses covered by the Plan. 5-0

AYES: Grady, Walker, Ceschin, Russell, and Cady (Chair) – 5

NOES: 0

17. 11DC19 From Hewitt Ennis Knupp, Proposal Letter for Global Equity Fund search.

APPEARANCE(S):

Laurel Nicholson, Hewitt Ennis Knupp and Associates
Dan Polish, Hewitt Ennis Knupp and Associates

This fund would allow active managers additional tools. Hewitt Ennis Knupp will bring forth a recommendation of the best group for the Committee's review.

ACTION BY: (Ceschin) Lay the item over for the next meeting to be discussed with the status of Growth Fund of America. Being no objection, it was so ordered.

18. 11DC20 Investment Consultant Request for Proposal vendor discussion.

The Chair reviewed the RFP process. He stated that there was a great response. It is the Committee's decision after meeting with the four finalist, to enter into a new contract with Hewitt Ennis Knupp and Associates.

ACTION BY: (Ceschin) Enter into a new three year contract with Hewitt Ennis Knupp and Associates with 2 one-year extension options. 5-0

SCHEDULED ITEMS (CONTINUED):

AYES: Grady, Walker, Ceschin, Russell, and Cady (Chair) – 5
NOES: 0

19. 11DC01 Next regularly scheduled meeting of the Select Committee on Deferred Compensation: **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

The next meeting will discuss an on-site review of Great West in Denver for June or July this includes meeting with vendors and discussion of the hardship process.

- May 9, 2011
- August 1, 2011
- November 14, 2011

ADA accommodation requests should be filed with the Milwaukee County Executive Office for Persons with Disabilities, 278-3932 (voice) or 278-3937 (TTY), upon receipt of this notice.